

Issue 112: INSIDER'S EDGE: More MAGI Households—Grandchildren Claimed as Tax Dependents

Dear Marge,

I have been told, and noticed on occasion with consumers, that Grandparents' income is now being used to determine their grandchild's eligibility because they claim them on their taxes. Is this correct?

-- Hoping for Help in Howard County

Great question! The fast answer to your question—it depends!

Things get a little complicated when grandparents claim their grandchild as a tax dependent and apply for benefits. The rules governing whether the grandparents' income counts are different depending on whether the grandchild's eligibility is being determined for Medicaid or a qualified health plan (QHP) with advanced premium tax credits (APTC) or cost-sharing reductions (CSR). However, in most cases, the grandchild will be found eligible for Medicaid under the relationship-based rules, so the grandparents' income will never enter the equation!

Since it's been a while since we talked about these types of cases, let's get back to basics then tackle a quick scenario.

A Quick Refresher: Relationship-Based Rules (Readers in a Rush? Scroll Down for the Scenario!)

For purposes of determining eligibility for insurance affordability programs, including Medicaid, in most cases the household includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

Tax filer household rules:

- Tax filer is head of household and usually the primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
 - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent even if they don't live at home.

Under the tax dependent household rules, the following individuals must be included in the household:

- Tax dependent;
- Tax filer who is claiming the individual as a tax dependent (this could be two people if filing jointly);
- Tax filer's spouse, if living with the tax filer;
- Any other tax dependents the taxpayer(s) claim;
- The tax dependent's spouse if they live together.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions arise, the Medicaid household for the

applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

Application of Relationship-Based Rules
1) Applicant is not planning to file taxes (and is not claimed as a dependent).
2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative.
3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.
4) Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?

For adults, a household must consist of:

- Adult applying for coverage;
- Adult's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

The Scenario: Grandparents Claiming Their Grandchild as a Tax Dependent

Noah (7) lives with his grandparents, Mary (58) and Dan (60). Mary and Dan are married, file taxes jointly, and claim Noah as a dependent. Noah has no income and does not file taxes. Mary, Dan, and Noah all apply for benefits using Maryland Health Connection. What does each applicant's household look like? Does Mary and Dan's income count towards Noah's household since they claim him as a dependent on their taxes?

- **Mary (grandmother): Mary + Dan + Noah = Household of 3**

In Mary's case, the tax filer household rules apply. As a tax filer, her household includes herself, her husband, and her tax dependent, Noah. Her household size will be 3. When determining Mary's eligibility for both Medicaid and QHP with APTC/CSR, her income and Dan's will both be counted.

- **Dan (grandfather): Mary + Dan + Noah = Household of 3**

In Dan's case, the tax filer household rules apply. As a tax filer, his household includes himself, his wife, and his tax dependent, Noah. His household size will be 3. When determining Dan's eligibility for both Medicaid and QHP with APTC/CSR, his income and Mary's will both be counted.

- **Noah (grandson): Noah = Household of 1**

Noah's situation triggers exception **(2) Individual is claimed as a dependent by person who is not a parent or stepparent, for example, a grandparent or other caretaker relative**. Since Noah does not live with his parents or any siblings (and he's definitely not married at age 7!), his household size will be 1. His grandparents' income will *not* count when determining his eligibility for Medicaid.

One More Thing

Some readers may be wondering what happens when an applicant is found ineligible for Medicaid under the relationship-based rules. Should the same relationship-based household construction be used to assess the applicant's eligibility for APTC and CSR? The short answer: no.

Learn more by checking out [*Issue 85: INSIDER'S EDGE: Relationship-Based Rules—The Grey Area*](#).

Additional Resources

For more scenarios involving the MAGI household construction rules, check out these back issues:

- [*Issue 75: INSIDER'S EDGE: Issue 70 REVISED--When do the MAGI Relationship-Based Rules Apply?*](#)
- [*Issue 76: INSIDER'S EDGE: MAGI Relationship-Based Rules Continued*](#)
- [*Issue 77: INSIDER'S EDGE: Even MORE MAGI Household Construction Scenarios*](#)
- [*Issue 79: INSIDER'S EDGE: Unmarried Parents—MAGI Household Construction Rules Continued!*](#)
- [*Issue 83: INSIDER'S EDGE: Tax Dependents over Age 21*](#)



Congrats! You made it through this week's issue!

Have a great weekend, Insiders! Send your questions to dhmh.medicaidmarge@maryland.gov.